



# MI Downing UK Micro-Cap Growth Fund

February 2020



## About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") aims to invest in a concentrated portfolio of between 25-30 UK companies within the Numis Smaller Companies Indices - typically those with market capitalisations between £20 million and £150 million.

The Fund seeks to generate capital growth, whilst retaining a strong focus on capital preservation. The Fund aims to outperform returns from other UK small-cap equity funds by selecting investments that the Manager believes are undervalued by the market.

## Why Downing Micro-Cap?

- ▶ Experienced and qualified team headed by Judith MacKenzie.
- ▶ Private equity approach to micro-cap companies, drawing on Downing's private equity and venture capital heritage.
- ▶ Investment Committee oversight provides access to many years of investment experience.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Concentrated portfolio of typically 25 to 30 investments which we believe provides diversification.
- ▶ Access to strategic investments.
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

## Portfolio commentary

In January, the Fund was up 3.85%, outperforming the benchmark, which was down 2.07%. Positive contributors included Sureserve Group (up 42.86%) and Universe Group (up 26.19%). Detractors included Petards Group (down 15.52%) and Duke Royalty (down 8.26%).

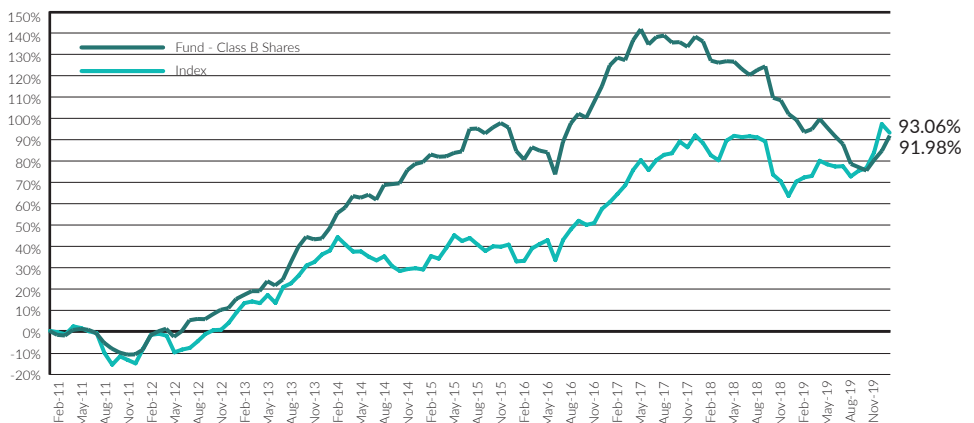
Sureserve announced positive preliminary results for the year ended 30 September 2019. The group reported an excellent year of both operational progress and improved financial performance, with results exceeding market and internal targets. The board reported that the group's outlook remains positive and it is confident of continuing to deliver on its clearly-defined growth strategy, evidenced by the proposed dividend for the full-year of 0.5 pence per share.

Universe Group made no news announcements in January. We believe the share price was pushed up from a low base following a general boost to UK smaller companies post December's General Election.

Petards share price slipped following the announcement that the group has issued 60,000 ordinary shares of 1 pence each in the company following the exercise of 60,000 options at 12.25 pence per share by a former employee. Application has been made for the new Ordinary Shares to be admitted to trading on AIM, which will rank, *pari passu*, with the existing Ordinary Shares in issue.

Duke Royalty announced a follow-on investment of approximately £7.7 million into existing royalty partner Bakhchysarai (Ireland) Limited (BIL). The new capital will support BIL's second acquisition, PharmEng Limited, which is one of the leading Healthcare and Life Sciences Recruiters in Ireland with a growing presence in the UK. Management reported that providing existing royalty partners with capital to undertake synergistic M&A transactions is a core part of Duke's investment mandate, and it looks forward to a long and successful partnership with BIL as it continues to execute its buy and build strategy.

## Cumulative performance under Downing management



The graph shows the cumulative performance under Downing management (since Feb 2011)

### Cumulative performance - Class B Shares (%)

	1m	3m	6m	YTD	1y	3y	5y
Fund	3.85	9.41	2.15	3.85	-3.74	-14.66	6.98
Index	-2.07	9.45	8.88	-2.07	13.48	20.38	49.94

### Discrete performance - Class B Shares (%)

	31/01/2019 31/01/2020	31/01/2018 31/01/2019	31/01/2017 31/01/2018	31/01/2016 31/01/2017	31/01/2015 31/01/2016
Fund	-3.74	-15.60	5.03	21.80	2.92
Index	13.48	-9.59	17.33	20.94	2.99

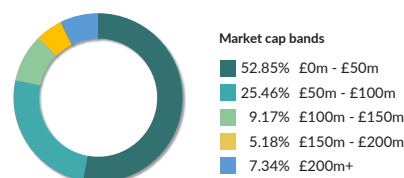
**Index:** Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. **Downing LLP is responsible for Fund performance from 4 February 2011, the effective date of the investment management mandate. Please note that past performance is not a reliable indicator of future results.**

## Portfolio by sector



Source of sector data: Maitland as at 31 January 2020

## Portfolio by company size



Source of market cap data: Factset as at 31 January 2020

## Top 5 portfolio holdings

Company	% of Fund
Norman Broadbent Plc	7.73*
Universe Group Plc	6.26
Volex Plc	5.63
Hargreaves Services Plc	5.19
CentralNic Group Plc	5.18

Source: Maitland as at 31 January 2020

\*Holding includes a 7.49% equity and 0.24% debt split

## Lead Fund Manager: Judith MacKenzie

Judith is a Partner at Downing, having joined in 2009. Previously, she was a Partner at Acuity Capital, managing AIM-quoted VCT & IHT investments and the CF Acuity RAM Fund.

Prior to this, Judith spent seven years as a senior investment manager with Aberdeen Asset Management Growth Capital, as co-Manager of the five Aberdeen VCTs, investing in both public and private companies.

She has held various non-executive and advisory roles in Scottish Government and private companies.



Trustnet/F.E (for the three-year period to 31/07/2019)

## Key facts as at 31 January 2020

### Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

**Incorporation date & date of transfer to Downing and change of ACD**  
September 2008 / February 2011

### Fund size

(B and C Share Class combined)  
£12.13m

### Share price

Class B 175.97p  
Class C 112.61p

### Number of company holdings

29  
(Not including two holdings which have been written down to zero.)

### Dividends

Accumulation only

### Liquidity

Daily pricing and daily dealing

### ISIN codes:

B Accumulation GB00B2403R79  
C Accumulation GB00B75B5C00

## Contact details

### Manager

Downing LLP, St Magnus House,  
3 Lower Thames Street,  
London EC3R 6HD  
Tel: 020 7416 7780

Authorised Corporate Director  
Maitland Institutional Services Ltd  
Hamilton Centre, Rodney Way,  
Chelmsford, Essex, CM1 3BY  
Dealing: 034 5305 4215

[www.maitlandgroup.com](http://www.maitlandgroup.com)

### Minimum initial investment

B Accumulation - £1,000  
C Accumulation - £1,000

B Share and C Share class monthly savings plan available. Monthly contributions of £100 can be made via standing order on the first business day of each month.

### Fund charges

#### Initial charges

B & C Accumulation: 5.00%

#### Ongoing charges

B Accumulation: 1.63%  
C Accumulation: 1.38%

Ongoing charges are based on the last year's expenses, including the annual management charge. Figures are as at 31 July 2019. These figures may vary. They exclude portfolio transaction costs.

#### Management charge

B Accumulation = 1.00% per annum  
C Accumulation = 0.75% per annum

## How to apply

Tel: 020 7630 3319

Visit [www.downing.co.uk](http://www.downing.co.uk) to access the Application Form

## Platforms hosting the Fund

A J Bell	Novia Financial
Aegon	Nucleus Financial
Ascentric	Raymond James
Aviva	SEI Investments
Hargreaves Lansdown	Standard Life
Novia Global	Transact

**Risk warning:** your capital is at risk. Investments and the income derived from them can fall as well as rise and investors may not get back the full amount invested. Investments in smaller companies will normally involve greater risk or volatility than investments in larger, more established companies. Performance figures above are taken from daily valuations provided by Maitland Institutional Services Limited. Downing LLP is responsible for Fund performance from 4 February 2011, the effective date of the investment mandate. Return is the total return (value of the investments plus cash including income after all expenses and charges), ignoring taxation. Please note that past performance is not a guide to future performance.

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12 February 2020

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